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**DOMINION-SCOTTISH**

**INVESTMENTS**

**LIMITED**



**Thirty-Eighth  
ANNUAL REPORT  
December 31, 1966**

## **Board of Directors**

**W. A. ARBUCKLE, C.A.**

Director  
Bank of Montreal

**J. K. MACDONALD**

President

Confederation Life Association

**J. G. HUNGERFORD, Q.C.**

Chairman

National Trust Company

**THOMAS S. JOHNSTON**

President

Interprovincial Pipeline Co.

**NEIL B. IVORY**

Director

Great Britain and Canada  
Investment Corporation

**LAWRENCE W. SKEY, D.F.C.**

Director and Treasurer

Scudder International Investments Ltd.

## **Officers**

**W. A. ARBUCKLE**

Chairman

**J. K. MACDONALD**

Deputy Chairman

**ROBERT W. INGLIS, C.A.**

Secretary-Treasurer

## **Managers**

**THREADNEEDLE MANAGEMENT LIMITED**

(a wholly-owned subsidiary of Arbuckle, Govett & Co. Ltd.)

Head Office.....	11 ADELAIDE ST. WEST, TORONTO, ONTARIO
Shares Listed.....	TORONTO STOCK EXCHANGE
Bankers.....	BANK OF MONTREAL
Auditors.....	RIDDELL, STEAD, GRAHAM & HUTCHISON
Transfer Agent and Registrar.....	THE ROYAL TRUST COMPANY
Trustee.....	THE CANADA TRUST COMPANY

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### EARNINGS AND DIVIDENDS

Net income for 1966 amounted to \$484,353 which compares favourably with \$434,623 earned in 1965. After deducting preference dividends of \$150,000, the balance available for common shareholders was \$334,353 or 47 cents per share. This represented an increase of 7 cents per common share over 1965 and permitted an increase in total common dividends paid from 32 cents to 38 cents per share.

### NET ASSET VALUE

Net asset value per common share amounted to \$14.69 at December 31, 1966, a decline of 12.5% from 1965. During 1966 the Toronto Stock Exchange Combined Index and the Montreal Stock Exchange Composite Index recorded declines of 10.6% and 10.7% respectively while The Dow Jones Industrial Average dropped 18.9%. The value of the portfolio dropped by only 8.8% but the leverage inherent in the Trust's capitalization caused net asset value per common share to decline slightly more than the Stock Exchange averages in Canada.

### CAPITAL AND LEVERAGE

As forecast in last year's Report conditions in 1966 did not favour the issuance of additional senior securities and thus the leverage factor remained unchanged. Should markets change during 1967 in favour of further bonds or preference shares being issued your Directors will give such eventuality serious consideration.

### INVESTMENT PORTFOLIO

The assets of the Trust were invested in 69 securities at December 31, 1966. The portfolio is listed on pages 7 to 10 of this Report and a summary by industry is set out on page 10. It will be noted that 95% of the portfolio is invested in dollar common stocks and that the majority of the debentures and preferred shares held are convertible or were issued with warrants to purchase common shares.

February 17, 1967.  
Toronto 1, Canada.

### REVIEW AND OUTLOOK

In the first quarter of 1966 the Canadian economy expanded at a very rapid rate and this quarter accounted for the major part of the entire year's gain in Gross National Product of approximately 9% in dollar value. In the second quarter stringent monetary policies started to exert a dampening effect on the economy and by the third quarter the year-to-year gain in Gross National Product was at a negligible rate.

It would now appear that inventory adjustments are well advanced and that capital spending has settled down to a sustainable pace. The peak in the squeeze on corporate profits may also have been reached although strong upward pressure on wage costs is a continuing cause for concern.

Renewed strength in our economy will be largely dependent on developments in the U.S. where the adjustment is a few months behind ours. In both countries easier credit conditions should ultimately lead to an expansion in housing starts from the very low levels now prevailing and this should stimulate the entire economy by the end of this year or early in 1968.

Canada's international balance of payments presents a persistent problem but Expo 67 will have a very favourable impact this year and, in ensuing years, the projected strong world demand for wheat and many of our raw materials should ensure a bright future for this country.

### ANNUAL MEETING

The Annual General Meeting of Shareholders has been called for Friday, April 14, 1967. Both preference and common shareholders are cordially invited to attend.

Directors retiring at the forthcoming Meeting in accordance with the By-laws are Messrs. W. A. Arbuckle, J. K. Macdonald and L. W. Skey. They are eligible for re-election.

On behalf of the Board,

W. A. ARBUCKLE,  
Chairman.

# DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the laws of Canada)

## BALANCE SHEET

As at December 31, 1966

	<b>ASSETS</b>	
	<b>1966</b>	<b>1965</b>
<b>Current Assets</b>		
Cash	\$ 192,363	\$ 282,529
Guaranteed Investment Certificate	100,000	150,000
Accounts receivable	225	4,403
Income taxes recoverable	8,441	
	301,029	436,932
<b>Investments</b>		
Investments at quoted market value	15,397,559	17,017,800
(cost 1966—\$12,835,174; 1965—\$12,548,402)		
	\$15,698,588	\$17,454,732
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 3,423	\$ 5,041
Due to brokers for securities purchased	29,604	271,521
Accrued bond interest	40,000	40,000
Income taxes payable	2,240	
	73,027	318,802
<b>Funded Debt</b>		
First collateral trust, Series "B" and "C" 4% bonds, due July 1, 1969	2,000,000	2,000,000
<b>Shareholders' Equity</b>		
<b>Capital Stock —</b>		
Preference —		
Authorized —		
76,730 5% cumulative, redeemable (at \$52.50) preference shares, par value \$50 each		
Issued —		
60,000 shares	3,000,000	3,000,000
Common —		
Authorized —		
1,200,000 common shares of no par value		
Issued —		
713,224 shares	2,979,493	2,979,493
Accumulated surplus on sale of investments	4,696,275	4,362,959
Earned Surplus	387,408	324,080
Unrealized appreciation of investments	2,562,385	4,469,398
Total shareholders' equity	13,625,561	15,135,930
	\$15,698,588	\$17,454,732

On behalf of the Board:

WILLIAM A. ARBUCKLE, Director

NEIL B. IVORY, Director

## DOMINION-SCOTTISH INVESTMENTS LIMITED

### STATEMENT OF INCOME

For the Year ended December 31, 1966

	1966	1965
<b>Income:</b>		
Dividends from Canadian corporations .....	\$ 518,745	\$ 455,599
Dividends from foreign corporations .....	86,452	63,594
Interest received .....	32,539	66,535
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	637,736	585,728
<b>Expenses:</b>		
Administrative expenses .....	19,048	17,134
Investment advisory fee .....	7,500	5,625
Directors' fees and salaries .....	14,950	15,729
Bond interest .....	80,000	80,000
Bank charges (including interest) .....	3,522	3,451
Trustee, registrar, legal and audit fees .....	6,363	6,166
	<hr/>	<hr/>
	131,383	128,105
<b>Income before Income Taxes</b> .....	506,353	457,623
<b>Provision for Income Taxes</b> .....	22,000	23,000
	<hr/>	<hr/>
<b>Net Income</b> .....	\$ 484,353	\$ 434,623

### STATEMENT OF EARNED SURPLUS

For the Year ended December 31, 1966

	1966	1965
<b>Balance at Beginning of Year</b> .....	\$ 324,080	\$ 274,225
<b>Add Net Income for Year</b> .....	484,353	434,623
	<hr/>	<hr/>
	808,433	708,848
<b>Deduct:</b>		
Cost of issuing common shares .....	—	17,235
Dividends paid —		
On preference shares at the rate of \$2.50 per share .....	150,000	150,000
On common shares at the rate of \$.38 per share (1965—\$.32 per share) .....	271,025	217,533
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	421,025	384,768
<b>Balance at End of Year</b> .....	\$ 387,408	\$ 324,080

## **DOMINION-SCOTTISH INVESTMENTS LIMITED**

### **STATEMENT OF ACCUMULATED SURPLUS ON SALE OF INVESTMENTS For the Year ended December 31, 1966**

	<b>1966</b>	<b>1965</b>
<b>Balance at Beginning of Year</b>	\$ 4,362,959	\$ 4,171,610
<b>Net Gain on Disposal of Investments</b>	333,316	191,349
<b>Balance at End of Year</b>	<u>\$ 4,696,275</u>	<u>\$ 4,362,959</u>

### **STATEMENT OF UNREALIZED APPRECIATION OF INVESTMENTS**

For the Year ended December 31, 1966

	<b>1966</b>	<b>1965</b>
<b>Balance at Beginning of Year</b>	\$ 4,469,398	\$ 4,033,940
<b>Net Increase or (Decrease) for the Year</b>	(1,907,013)	435,458
<b>Balance at End of Year</b>	<u>\$ 2,562,385</u>	<u>\$ 4,469,398</u>

### **AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the accompanying financial statements of Dominion-Scottish Investments Limited for the year ended December 31, 1966 comprising the balance sheet as at that date and the statements of income, earned surplus, accumulated surplus on sale of investments and unrealized appreciation of investments for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
January 20, 1967.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

## DOMINION-SCOTTISH INVESTMENTS LIMITED

PORTFOLIO AS AT DECEMBER 31, 1966

### BONDS AND DEBENTURES (2.61% of net assets)

	Par Value	Market Value
Bethlehem Copper Corp. Ltd. 6% convertible sinking fund debentures, Series "A" due October 1, 1975 .....	\$ 80,000	\$ 81,600
British Columbia Molybdenum Corp. Ltd. 5 3/4 % debentures, Series "A" due April 1, 1976 (with warrants to purchase common shares) ....	180,000	184,500
Fruehauf Trailer Co. of Canada Ltd. 5 1/4 % sinking fund debentures, Series "A" due November 1, 1976 .....	25,000	21,000
Northgate Exploration Ltd. 6 1/2 % collateral trust debentures due May 1, 1971 .....	40,000	38,800
Western Decalta Petroleum Ltd. 6% sinking fund debentures Series "A" due June 1, 1985 .....	100,000	82,000
	<hr/>	<hr/>
	\$ 407,900	

### PREFERRED SHARES (.67% of net assets)

Bow Valley Industries Ltd. 5 1/2 % Cum. Red. Pref. Series "A" (with warrants to purchase common shares) .....	5,000	\$ 105,250
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### COMMON AND CONVERTIBLE PREFERRED SHARES (95.25% of net assets)

	Number of Shares	Market Value
<b>BANKS (7.41% of net assets)</b>		
Bank of Montreal .....	3,000	\$ 158,625
Bank of Nova Scotia .....	2,500	160,000
Banque Canadienne Nationale .....	2,000	101,000
Canadian Imperial Bank of Commerce .....	4,000	232,000
Montreal City & District Savings Bank .....	6,000	72,000
Royal Bank of Canada .....	3,000	207,000
Toronto-Dominion Bank .....	4,000	228,000
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	\$ 1,158,625	

**COMMON STOCKS (Continued)**

	Number of Shares	Market Value
<b>FINANCIAL (4.37% of net assets)</b>		
Great Britain and Canada Investment Corp.	5,400	\$ 62,100
Industrial Acceptance Corp. Ltd.	15,000	315,000
National Trust Co. Ltd.	10,000	162,500
Power Corp. of Canada Ltd.	15,000	142,500
		<u>\$ 682,100</u>
<b>FOOD AND BEVERAGE (11.52% of net assets)</b>		
T. G. Bright & Co., Limited	5,000	\$ 320,000
Canada & Dominion Sugar Co. Ltd.	10,000	205,000
Canada Malting Co., Limited	4,000	72,000
Distillers Corporation-Seagrams Limited	8,000	267,000
Federal Grain Ltd.	30,000	183,750
Grovers Wine Co. Ltd., Class "B"	30,000	102,000
Maple Leaf Mills Ltd.	10,000	170,000
Molson Breweries Ltd., Class "B"	10,000	192,500
Walker-Goodeham & Worts Ltd., Hiram	10,000	287,500
		<u>\$ 1,799,750</u>
<b>GENERAL MANUFACTURING (7.19% of net assets)</b>		
British American Bank Note Co. Ltd.	5,000	\$ 335,000
Carrier Corporation	5,000	418,500
International Business Machines Corp.	650	261,846
Massey-Ferguson Ltd.	4,800	108,600
		<u>\$ 1,123,946</u>
<b>HEAVY INDUSTRY (5.82% of net assets)</b>		
Algoma Steel Corp. Ltd.	10,000	\$ 222,500
Dominion Foundries & Steel Ltd.	16,000	292,000
General Dynamics Corp.	3,000	155,115
Steel Co. of Canada Ltd.	12,000	240,000
		<u>\$ 909,615</u>
<b>MERCHANDISING (4.95% of net assets)</b>		
Famous Players Canadian Corp. Ltd.	15,000	\$ 502,500
Peoples Credit Jewellers Limited	7,600	96,125
Tamlyn Ltd., G.	7,000	175,000
		<u>\$ 773,625</u>

**COMMON STOCKS (Continued)**

	Number of Shares	Market Value
<b>METALS AND MINING (9.38 % of net assets)</b>		
Alcan Aluminium Limited .....	12,000	\$ 361,500
International Nickel Co. of Canada Ltd. ....	6,000	569,250
Noranda Mines, Limited .....	7,000	346,500
Opemiska Copper Mines (Quebec) Ltd. ....	20,000	188,000
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		<b>\$ 1,465,250</b>
<b>PAPER AND FOREST PRODUCTS (7.54 % of net assets)</b>		
Abitibi Power & Paper Co. Ltd. ....	16,000	\$ 158,000
Columbia Cellulose Co. Ltd., \$1.20 Cum. Red. Conv. Pref. ....	10,000	187,500
MacMillan, Bloedel Ltd. ....	20,000	465,000
Price Company Limited .....	30,000	367,500
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		<b>\$ 1,178,000</b>
<b>PETROLEUM AND PIPELINES (11.21 % of net assets)</b>		
Ashland Oil & Refining Co. ....	4,000	\$ 140,940
British American Oil Co. Ltd. ....	8,000	260,000
Cities Service Co. ....	5,000	251,775
Imperial Oil Ltd. ....	5,000	288,125
Interprovincial Pipe Line Co. ....	5,000	423,750
McDermott & Co. Inc., J. Ray ....	3,000	251,100
Texaco Canada Ltd. ....	2,000	136,250
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		<b>\$ 1,751,940</b>
<b>PRINTING AND PUBLISHING (6.54 % of net assets)</b>		
McCall Corporation .....	4,120	\$ 115,690
Moore Corporation Ltd. ....	4,000	346,000
Southam Press Ltd. ....	10,000	321,250
Sun Publishing Co. Ltd., Class "A" ....	10,000	238,750
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		<b>\$ 1,021,690</b>
<b>PUBLIC UTILITIES (12.53 % of net assets)</b>		
Bell Telephone Co. of Canada .....	4,905	\$ 228,082
British Columbia Telephone Co. ....	10,000	632,500
Consumers' Gas Co. ....	20,000	307,500
Great Lakes Power Corporation Limited .....	6,000	135,000
Northern and Central Gas Company Limited .....	12,000	160,500
Quebec Telephone .....	12,600	231,525
United Gas Corporation .....	5,000	263,250
Sundry Securities .....	—	81
	<hr/>	<hr/>
		<b>\$ 1,958,438</b>

**COMMON STOCKS (Continued)**

	Number of Shares	Market Value
<b>TRANSPORTATION (6.79% of net assets)</b>		
Canadian Pacific Railway Co.	2,000	\$ 109,500
Delaware & Hudson Company	8,500	291,465
New York Central Railroad Co.	3,000	221,940
Overland Express Ltd., 60c. Cum. Conv. Pref.	3,000	28,125
Pan American World Airways, Inc.	4,000	236,520
Seaboard Air Line Railroad Co.	4,000	173,880
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<b>TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES</b>		<b>\$ 1,061,430</b>
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		<b>\$14,884,409</b>

**SUMMARY**

	Market Value Dec. 31, 1966	Percentage of Net Assets at December 31	
		1966	1965
BONDS AND DEBENTURES	\$ 407,900	2.61%	3.04%
PREFERRED SHARES	\$ 105,250	.67%	1.63%

**COMMON AND CONVERTIBLE PREFERRED SHARES**

Banks	1,158,625	7.41%	8.06%
Financial	682,100	4.37	3.72
Food and Beverage	1,799,750	11.52	11.05
General Manufacturing	1,123,946	7.19	7.99
Heavy Industry	909,615	5.82	9.58
Merchandising	773,625	4.95	3.38
Metals and Mining	1,465,250	9.38	8.84
Paper and Forest Products	1,178,000	7.54	7.66
Petroleum and Pipelines	1,751,940	11.21	10.47
Printing and Publishing	1,021,690	6.54	3.30
Public Utilities	1,958,438	12.53	13.32
Transportation	1,061,430	6.79	7.27
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<b>TOTAL INVESTMENTS</b>	<b>14,884,409</b>	<b>95.25%</b>	<b>94.64%</b>
Cash in bank, etc., net	228,002	1.47	.69
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<b>TOTAL NET ASSETS</b>	<b>\$15,625,561</b>	<b>100.00%</b>	<b>100.00%</b>
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**DOMINION-SCOTTISH INVESTMENTS LIMITED**

**Ten-Year Financial Summary**

Year Ended Dec. 31	Gross Income	Bond Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preference Shares*	Available for Common Shares	Asset Value per Common Share
1957	307,969	50,000	34,400	10,500	213,069	6,236,088	3,434,362	2,801,726	5.21
1958	283,055	50,000	29,468	8,100	195,487	8,154,255	3,434,362	4,719,893	8.80
1959	296,320	50,000	32,205	12,000	202,115	8,303,325	3,428,850	4,874,475	9.09
1960	319,494	50,000	37,604	17,000	214,890	8,360,966	3,428,430	4,932,536	9.21
1961	359,103	50,000	38,422	16,000	254,681	10,039,031	3,428,430	6,610,601	12.34
1962	369,870	50,000	39,156	10,000	270,714	10,458,791	4,650,000	5,808,791	10.85
1963	403,080	50,000	37,097	10,700	305,283	11,518,886	4,650,000	6,868,886	12.84
1964	449,532	76,515	39,489	10,700	322,828	13,568,928	5,150,000	8,418,928	15.74
1965	585,728	80,000	48,105	23,000	434,623	17,135,930	5,150,000	11,985,930	16.80
1966	637,736	80,000	51,383	22,000	484,353	15,625,561	5,150,000	10,475,561	14.69

\*Preference shares at redemption price of \$52.50 per share.

